Samhae Insurance Company

2023 Annual Report

COMPANY PROFILE

MISSION

To satisfy the customers' needs of insurance, relieve anxiety and contribute to the sustainable growth of the insurance industry

VISION

To be the first choice provider of insurance service in the country and become a world-class insurer with special expertise and high reputation

CORE VALUES

Excellence
Professionalism
Flexibility
Responsibility
Integrity

ACTIVITIES

Cargo Insurance, Marine Hull Insurance, P&I Insurance, Port Liability Insurance, Motor Carrier's Liability Insurance, Aviation Insurance and Reinsurance approved by the State Insurance Commission in accordance with the relevant Laws and Regulations of the DPRK

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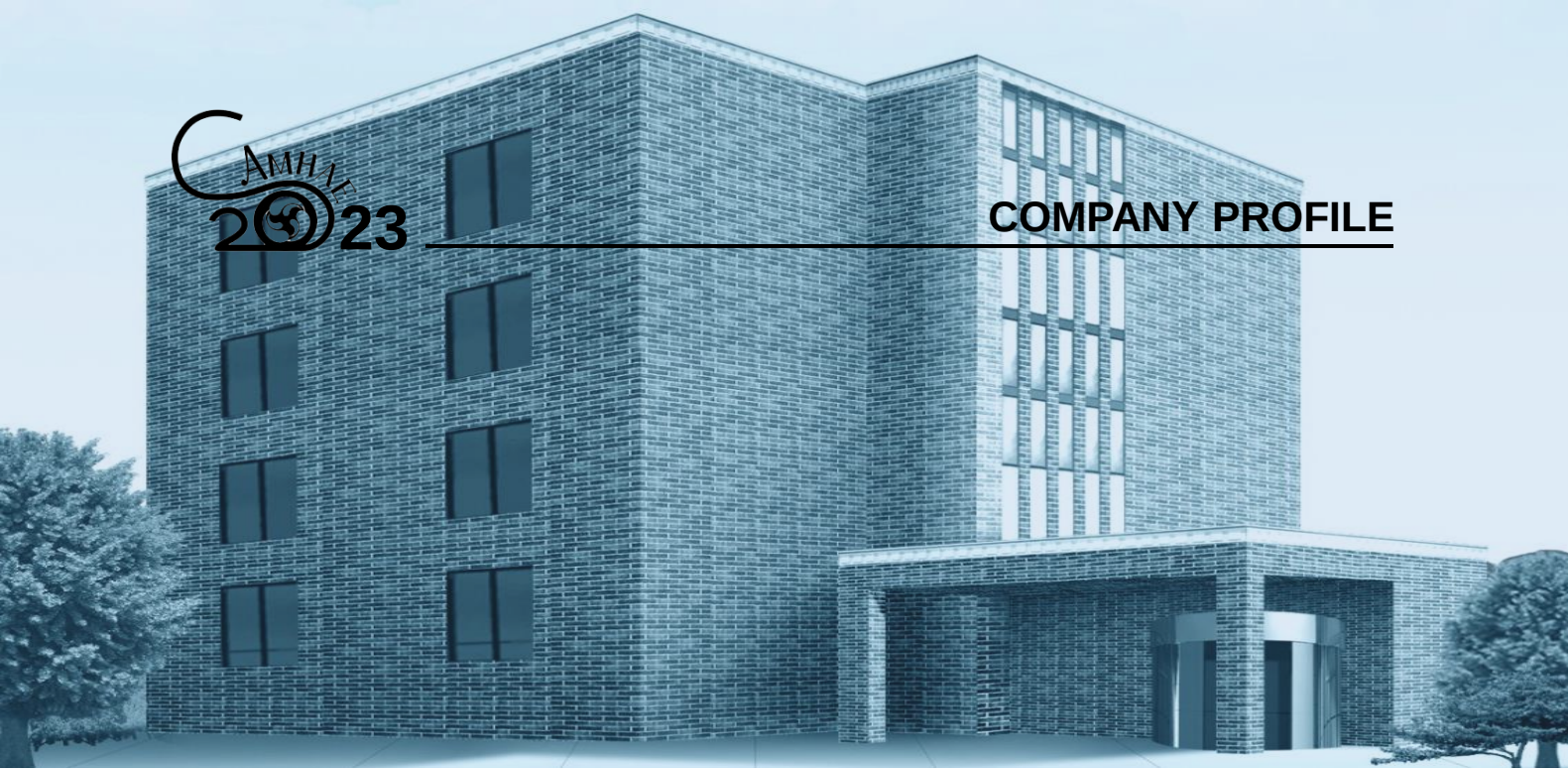
NO SMOKING
SAFETY FIRST



COMPANY PROFILE

Samhae Insurance Company is a marine insurer incorporated in 2016.

The Company's strong presence in the local insurance market was established for a short period since its operation, which is attributable to its profound insight into the market, flexible application of advanced technology to insurance service and strong incentives to fostering the employees' creative ways of thinking.

The Company built up a network of its branch offices in the important places such as seaports and fish farms across the country.

The Company abounds in well-established experts with profound expertise and rich experience in underwriting marine insurance.

The Company runs smoothly on an efficient business hierarchy between the headquarters and branch offices as well as on an interconnecting system between the staff, all of which serve as a firm basis for further development in many days yet to come.

For more stable management of the risks insured, the Company cooperates with the national and foreign partners in securing the reinsurance protection.

Meanwhile, in keeping up with the pace of its increasingly growing financial strength, the Company is engaged in providing reinsurance cover for the overseas risks.

A number of companies including insurers, reinsurers, and brokers at home and abroad are now listed as our prestigious partners and customers.

SAMHAE IN FIGURES

Total Assets

KPW 5.6 Billion

Samhae's total assets peaked at KPW 5,611,034,341 at the end of 2023.

Total Equity

KPW 5.1 Billion

Samhae ended the year 2023 with the total equity of KPW 5,060,788, 435.

Gross Premiums Written

KPW 1.7 Billion

Samhae's gross premiums written increased by 18.17% to KPW 1,684, 479,898 compared to 2022.

Gross Claims Paid

KPW 676 Million

Samhae paid out insurance claims of KPW 675,911,176 in total during the year.

Net Underwriting Result

KPW 1 Billion

Samhae broke the KPW 1 billion line in 7 years since its incorporation with the net underwriting result reaching KPW 1,017,958,540.

Profit For The Year

KPW 621 Million

Samhae's profit for the year skyrocketed to KPW 621,492,785, indicating a sharp increase of 121.22% year on year.

STATEMENT FROM THE CHAIRMAN

STATEMENT FROM THE CHAIRMAN

WELCOME TO SAMHAE

2023 was a year of great pride when we took another bold step with renewed courage and confidence toward the bright future.

Compared with the total growth of the economic sector in our country in 2020, the production of important indices largely went up in 2023 and the GDP grew up 1.4 times.

The insurance sector also made a valuable contribution to the development of national economy and the improvement of people's livelihood by facilitating a stable and sustainable development as well as substantially meeting the increased public demand for insurance protection.

In keeping with the developing reality, the insurance sector saw to it that its legal framework was placed on a more solid basis, insurance clauses were upgraded in greater detail, and new insurance products were introduced into the market.

In particular, e-insurance became more active than ever on both computer network and mobile communication network thanks to a significant progress in IT-embedded service.

The development of insurance industry of each country gives a powerful stimulus to the growth of global insurance industry, which in turn exerts certain influence on the former and promotes exchange and cooperation between the countries and regions.

Last year, the global insurance industry overcame a number of trials and challenges by dint of noteworthy successes and thus made outstanding contributions to the economic growth across the world.

The Company paid its due attention to stepping up the current progress and laying a firm basis for its development by making advantage of the favourable circumstances at home and abroad last year.

In order to perform its mission to protect the customers from risks and assist them in every way, the Company strictly adhered to its principle of customer-oriented insurance service together with the promptness and convenience in receiving compensation throughout the year.

As a result, the Company produced KPW 1,684,479,898 of gross premiums written in 2023, which is a 18.17% increase against KPW 1,425,517,451 in 2022. The gross claims paid, on the other hand, reached KPW 675,911,176 at the end of 2023, representing a 15.65% drop compared with 2022.

The Company owes a special thank you to all our staff for their selfless efforts, caring responsibility and significant role they have shown as insurers to protect their customers from potential risks.

I wish to extend my heartfelt thanks to Samhae management and staff for their mutual cooperation and continued support for the Company's decision and policy.

I would also like to acknowledge the trust and support of the customers, agents, reinsurers, brokers, and other parties concerned.

The year 2024 is a decisive year of securing an obvious practical guarantee for the fulfillment of the five-year economic development plan with new and significant successes by heightening the offensive spirit on all fronts of socialist construction.

I feel quite confident about the Company's great success in 2024 driven by the constant innovation and rapid progress.

Kim Myong Il
Chairman of Executive Committee of Management
Chief Executive Officer

EXECUTIVE COMMITTEE OF MANAGEMENT

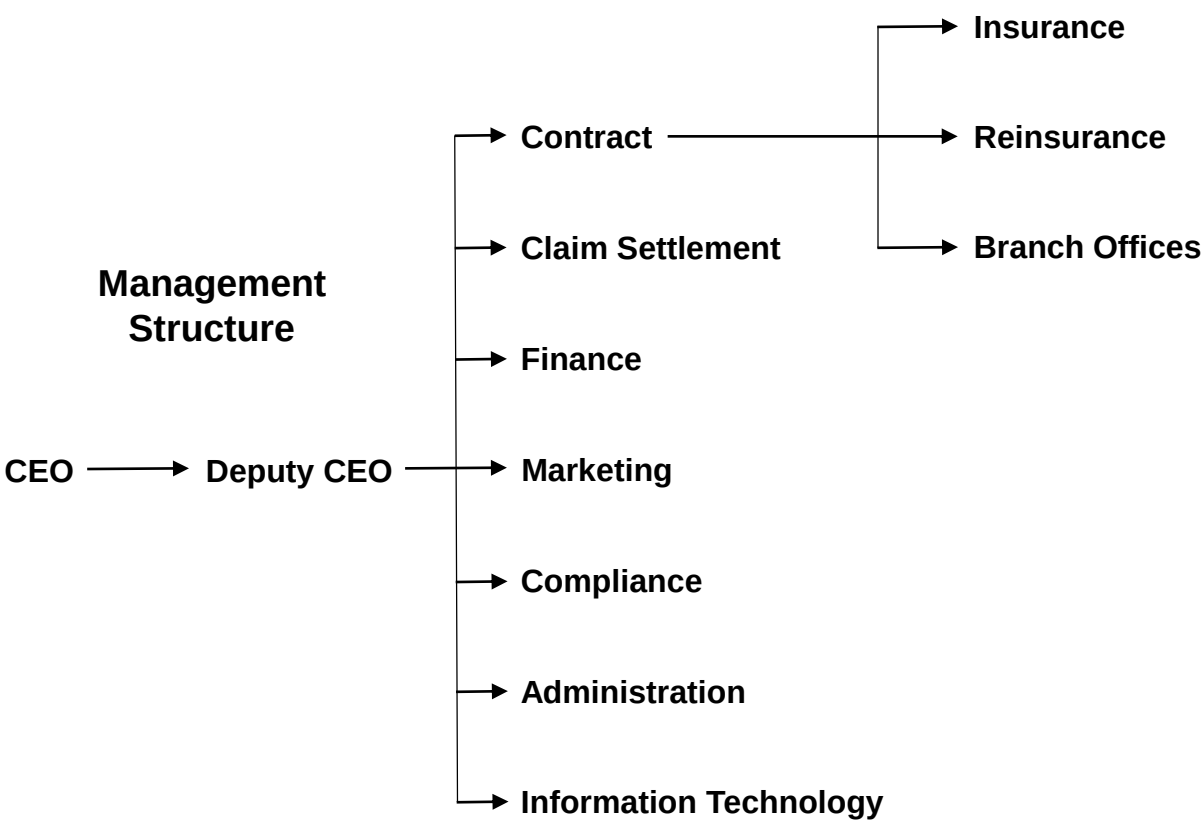
EXECUTIVE COMMITTEE OF MANAGEMENT

The Executive Committee of Management(ECM), consisting of 5 members of senior officials is primarily responsible for preparation and monitoring of business plan, annual budget, key initiatives, review of operations, human resource development and performance of personnel.

During the year under review, the ECM members met 16 times and discussed various affairs including annual business plan of the Company, market expansion, digitalization of insurance business, improvement of customer service, orientation for the development of inward and outward reinsurance, expansion into the market abroad, investment policy, management of human resources, appointments of personnel.

Chairman/CEO	**Kim Myong Il**
Member/Deputy CEO	**Kim Song Ho**
Member/Chief Contracting Officer	**Yun Il Hyok**
Member/Head of Claim Settlement	**Ri Jong Chol**
Member/Chief Financial Officer	**Ri Kum Song**

Management Structure



BUSINESS PERFORMANCE IN 2023

2023 was a year of noteworthiness at a time when the Company made business achievement unprecedented ever in its history.

Brilliant operating results are attributable to the fact that the Company applied its unique management style to attracting a number of new insureds from home and abroad, followed by the introduction of new techniques in risk management in keeping pace with the global trend.

It is of particular significance that the net underwriting result exceeded the KPW 1 billion mark, reaching KPW 1,017,958, 540 and the profit for the year jumped to over KPW 600 million.

The gross premiums written totalled KPW 1,684,479,898, showing a 18.17% rise compared with 2022, but the gross claims paid shrank by15.65% year on year to KPW 675,911,176.

Gross premiums written

KPW

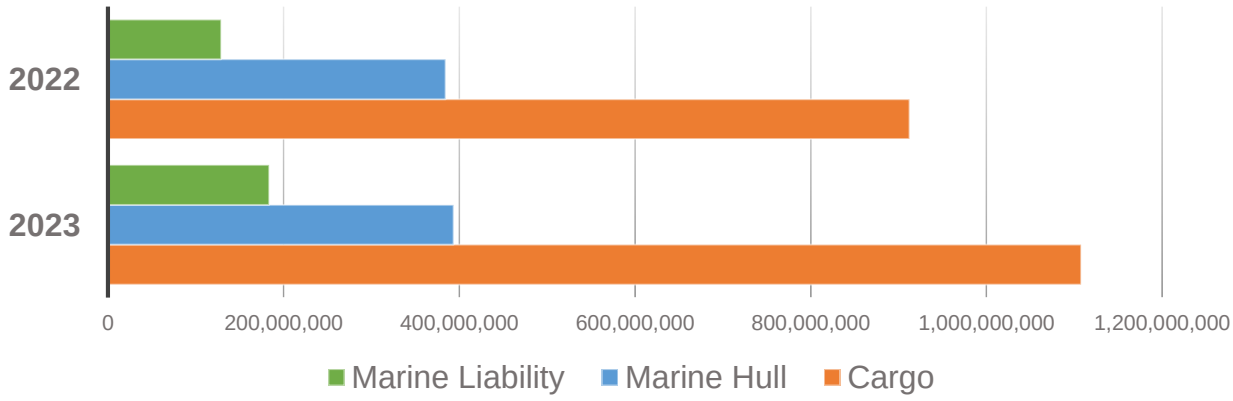
Line of Business	2023		2022	
	Amount	Share (%)	Amount	Share (%)
Cargo	1,107,685,169	65.76	912,535,466	64.01
Marine Hull	393,470,790	23.36	384,288,902	26.96
Marine Liability	183,323,939	10.88	128,693,083	9.03
Total	1,684,479,898	100.00	1,425,517,451	100.00

Gross claims paid

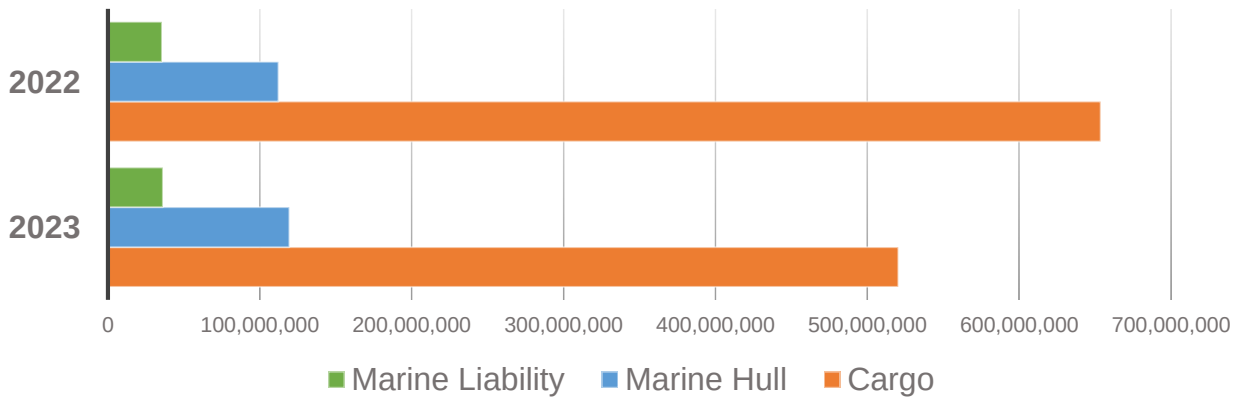
KPW

Line of Business	2023		2022	
	Amount	Share (%)	Amount	Share (%)
Cargo	520,381,753	76.99	653,586,225	81.56
Marine Hull	119,333,488	17.66	112,247,847	14.01
Marine Liability	36,195,935	5.35	35,525,971	4.43
Total	675,911,176	100.00	801,360,043	100.00

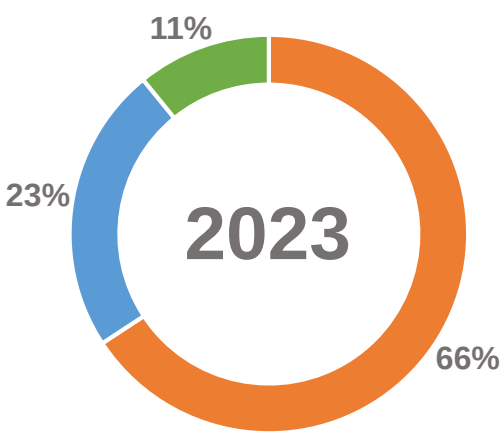
BUSINESS PERFORMANCE IN 2023



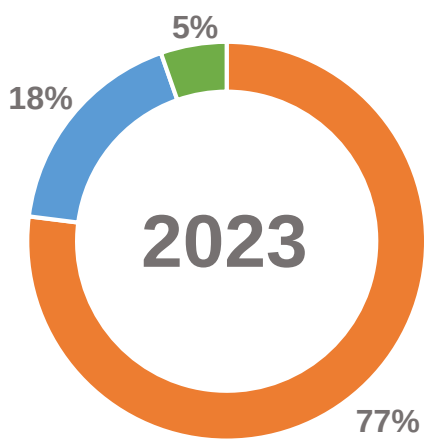
Gross premiums written



Gross claims paid



Gross premiums written



Gross claims paid

The net premiums earned went up by 48.25% to KPW 1,798,921,940, compared with 2022, resulting in an affirmative influence on the Company's net income for 2023. On the contrary, the net claims incurred climbed by 19.96% year on year to KPW 742,673,176.

The net underwriting result of the Company stretched to KPW 1,017,958,540, and the agent's fee amounted to KPW 38,290,224, net of outward reinsurance commission.

In consequence, the profit/loss before payment to state hit KPW 887,846,836 in 2023 while the profit for the year jumped up by 2.21 times year on year to KPW 621,492,785, attaining the highest level of profitability since the establishment of the Company.

Cargo Insurance

The Company offers insurance protection for the cargoes in land and sea transit as well as for import-export cargoes.

The cargo premium came to KPW 1,107,685,169 in 2023, which is a 21.39% increase against KPW 912,535,466 a year earlier.

The premium income from land cargo insurance accounted for 55.04% enjoying the lion's share of cargo insurance portfolio, followed by marine cargo at 18.08% and import-export cargo at 26.88% respectively.

The cargo insurance premium as a whole constituted 65.76% of the Company's gross premiums written for the year under review.

This is due to the fact that raw materials and commodity circulation was on a sharp increase and the volume of cargo transportation was on the equal rise by the large-scale construction projects in 2023.

Furthermore, with the introduction of IT in business, the Company managed to further the speed and quality of insurance service and keep in closer contact with the insurance agents to best suit the needs of policyholders.

The gross claims paid in cargo account totalled KPW 520,381,753 all year round, indicating a 20.38% fall year on year.

It is attributable to the Company's considerable efforts to stimulate the incentives of relevant organs concerned to heighten their awareness of responsibility for the storage and custody of cargoes, reduce the accumulation of cargoes at storage places as much as possible and improve the standard of risk management.

Thanks to the active modernization program of railways, roads, and port facilities, we saw a significant reduction of the potential risk and hazard likely to give rise to claims in the course of transportation and on the other hand, enhancement of the stability and promptness was observed in transportation. The state increased investment in the infrastructure construction and land management with the purpose of preventing natural catastrophes such as heavy rain followed by floods, which exerted considerable influence over the industry to lower the exposure to catastrophic

risks.

The Company will endeavour to achieve a stable development of cargo insurance and strengthen its own position in the market in future; by taking advantage of the favourable conditions and circumstances of the increased volume of cargo transport and improving the quality of insurance service to meet the needs of policyholders; and by working together with the transport-related organizations to abide by the laws and regulations of the state on the transportation, storage and maintenance of cargoes and to pay more attention to the enhancement of risk management.

Marine Hull Insurance

Marine hull insurance is most interested by shipowners and charterers in the country.

According to their specification, the Company offers insurance protection for cargo vessels, fishing vessels, tow boats, crane ships and special-purpose vessels.

In particular, the fishing vessel insurance rolled out in 2018 was in the safe growth thanks to the favourable insurance terms and reasonable price tailor-made for the fishing vessels making long sea voyages.

In addition, the limit of liability was made available to be adjusted according to the demand and financial condition of every policyholder, which was cheered by most of the insureds, resulting in a rise in sales figures of policies.

The marine hull insurance and fishing vessel insurance generated premium income of KPW 296,346,943 and KPW 97,123,847 respectively in 2023, representing a 1.07% increase of the former and a 6.65% increase of the latter year on year.

The sum total of premium income of marine hull insurance plus fishing vessel insurance amounted to KPW 393,470,790, accounting for 23.36% of the gross premiums written during the year.

New modern fishing vessels and cargo ships were built and the currently running vessels underwent technical renovation according to the state's policy of strengthening the material and technological basis of fishing industry and marine transport. As a result, no significant catastrophe was reported.

This is also occasioned by the toughened survey and control measures taken by the state supervisory bodies on safe navigation of the vessels and marine work.

The claims paid in marine hull insurance reached KPW 83,665,580 all year round, which was followed by KPW 35,667,908 of claims paid in fishing vessel insurance, totalling KPW 119,333,488.

For the purpose of further progress of marine hull insurance and fishing vessel insurance, the Company will conduct risk survey and underwriting on a more vigorous basis so that the ship runners abide by safe navigation rules and take measures to improve the crew's technical standards and capacity to deal with the natural disasters as well as to give top priority to the prevention of loss.

Marine Liability Insurance

With more emphasis on the ongoing P&I and Port Liability insurance, the Company put efforts in the introduction of a new liability insurance based on the scientific analysis of the insurance needs of the home market.

In 2023, a steady increase in premium income was observed in P&I and Port Liability insurance as well as in Motor Carrier's Liability, a new product which was already launched.

The premium income generated by P&I and Port Liability insurance was KPW 95,200,159, and KPW 62,249,580 respectively in 2023, which is a 25.24% and 18.17% rise compared with 2022.

The new start-up Motor Carrier's Liability took a significant part in the premium income with KPW 25,874,200 in the trial run of the first year.

The liability insurance earned a gross premium income of KPW 183,323,939, which accounted for 10.88% of the Company's gross premiums written.

The gross claims paid totalled KPW 36,195,935, of which P&I claim was KPW 23,381,596, while Port Liability and Motor Carrier's Liability reached KPW 8,437,226 and KPW 4,377,113 respectively.

In close contact with the state supervisory bodies of ship and port management, the Company will conduct risk survey in a scientific way and request that the insureds get rid of the shortcomings in a timely manner.

The Company will also update the terms and conditions of Motor Carrier's Liability Insurance to meet the needs of policyholders and promote a stable development of liability insurance.

Claim Settlement

It is of great importance for the insureds to promptly, accurately have their claims settled in terms of recovery from the losses to the normal state of operation.

As soon as a loss event or claim is reported, the Company loses no time in organizing the on-site loss survey, evaluating the amount of loss in a scientific way, and indemnifying the insureds, which is the main principle of claim settlement of the Company.

This is another reason the Company is loved and cheered by the customers.

The gross claims paid by the Company amounted to KPW 675,911,176 in 2023.

With a detailed look, it can be said that cargo insurance took 76.99% with KPW 520,381,753 of claims paid, followed by marine hull insurance at 17.66% with KPW 119,333,488 and liability insurance at 5.35% with KPW 36,195,935.

Risk Management

The Company made more investment in the IT development to bring about a qualitative turn in the management of marine risks underwritten.

We went ahead with the modernization program of risk survey equipment and introduced new software, resulting in an upgraded level of IT-driven risk management in 2023.

Risk management staff possessed of relevant special techniques and

knowledge made risk management so scientific and IT-based that they regularly analyze the risk exposure of the subject matter insured and put forward appropriate solutions to best mitigate marine risks.

They contributed to the active response to the potential insurance losses.

In consequence, the expenditure of claim settlement was reduced by 15.65% compared to the preceding year.

Reinsurance

In order to enhance the underwriting capacity, assure the Company of the stability of business and protect the policyholders' interests, we organized the treaty & facultative reinsurance in 2023 and ceded them to several insurance and reinsurance companies at home and abroad.

The outward reinsurance expenditure amounted to KPW 9,719,914 with no record of reinsurance claim in 2023.

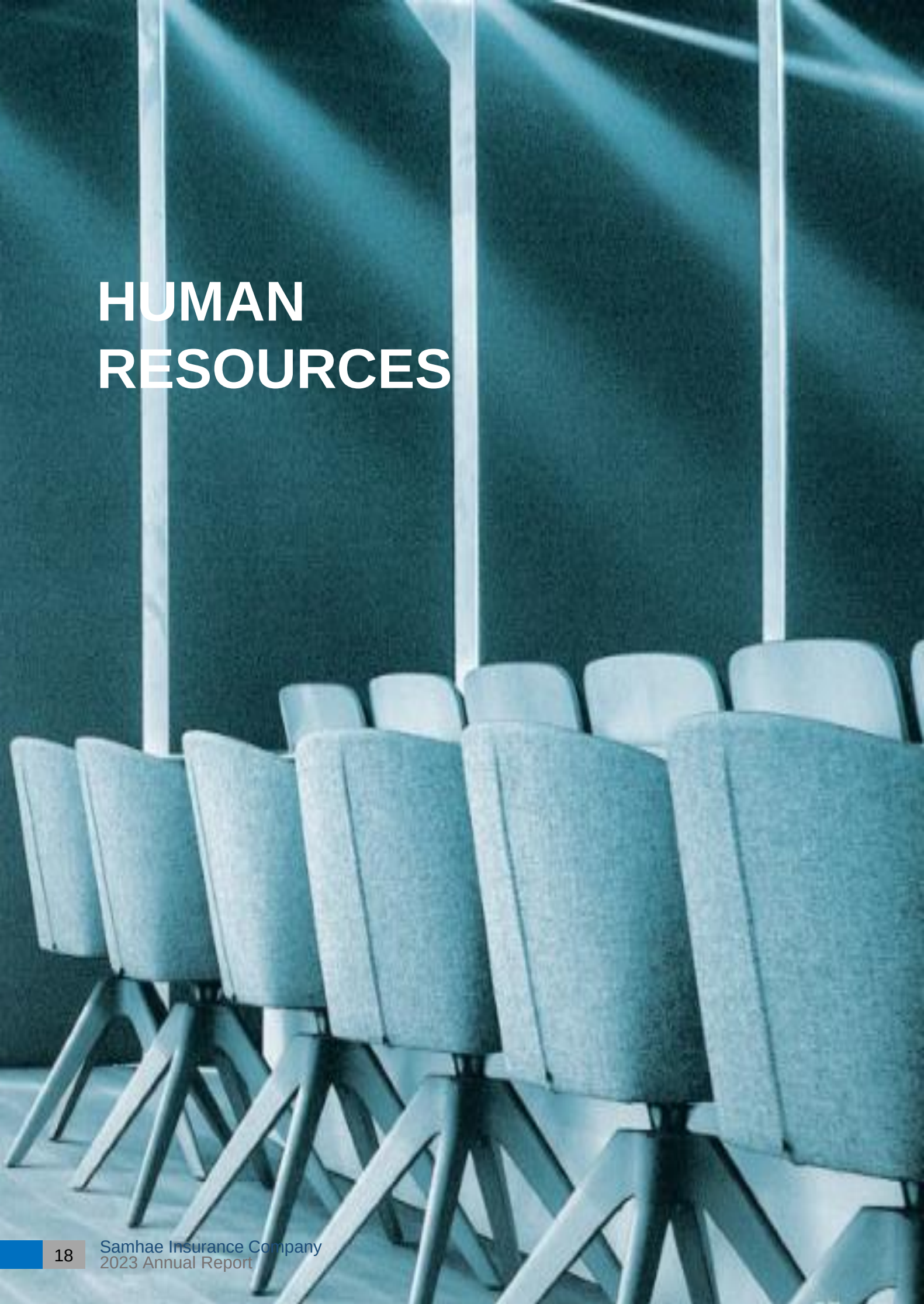
In accordance with the international marine insurance clauses, the Company accepted reinsurances of marine risks of some sort.

The Company adopted scientific methods in the inward reinsurance underwriting by introducing mathematical modeling for risk assessment process in order to streamline the inward reinsurance business. Based on the scientific analysis and evaluation of many different treaty & facultative reinsurances from the international insurance market, the Company subscribed to some reinsurance programs, resulting in a growth of premium income.

This is attributable to the Company's strategy that focuses on the strengthening of business relationship with Asia-African insurance companies and brokers.

It is also thanks to the scientific analysis and evaluation of risks followed by the Company's principle of careful selection in underwriting the policies.

The Company will expand the scope of reinsurance and consolidate its position in the international insurance market in close contact with insurance companies and brokers.



HUMAN RESOURCES

HUMAN RESOURCES

Human resources are a significant asset for the future-oriented development of the Company.

As a fundamental principle, the Company attaches a great importance to the business talents, and puts a lot of efforts on the selection and management of these talents with a view that they are the stepping stone to success in the long-term development of the Company.

If all the staff possessed of relevant special techniques and knowledge but were kept out of regular renewal, these techniques and knowledge were sure to be outdated and exert negative influence on the future of the Company.

In turn, the regular update of the currently possessed technology and knowledge among the staff is inseparable with the development of the Company.

In 2023, the Company saw to it that the already defined mid- or long-term human resource management plans were put into action.

The Company ensured that the staff received re-education and intensive insurance training according to their field and degree, and organized several on-line training courses for the staff of branch offices.

In this process, many staff made their comments and recommendations on the orientation of the Company's development on the basis of detailed analysis of the development trend of world marine insurance market and domestic need for marine insurance.

In particular, a number of realistic, essential initiatives such as the plan of introduction of IT in insurance were put forward, and some of them are now in the process of application to business.

In order to promote public discussion, the Company also held dozens of open discussions with university professors and related officials in 2023.

These activities aimed at encouraging the staff and improving their work efficiency were highly praised and exerted positive influence over the management and business of the Company.

The Company will go on to proceed with the evaluation and promotion of competent talents in the future.

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

As at 31st December 2023

KPW

	2023	2022
ASSETS		
Cash and cash equivalents	5,209,126,100	4,442,964,584
Trade receivables	27,623,289	61,557,838
Reinsurance assets	945,673	369,695
Deferred acquisition costs	2,710,970	16,250,899
Prepayments	34,729,251	31,207,393
Other receivables	12,500,000	7,396,486
Property and equipment	304,576,000	316,624,000
Intangible assets	18,823,058	23,097,019
TOTAL ASSETS	**5,611,034,341**	**4,899,467,914**
LIABILITIES AND EQUITY		
LIABILITIES		
Insurance contract liabilities	400,304,471	457,128,449
Provision for unearned premiums	261,914,471	385,500,449
Provision for outstanding claims	132,160,000	70,500,000
Other underwriting provision	6,230,000	1,128,000
Long-term debt	-	-
Other liabilities	149,941,435	3,043,815
TOTAL LIABILITIES	**550,245,906**	**460,172,264**
EQUITY		
Paid-up capital	3,000,000,000	3,000,000,000
Contingency reserve	1,050,897,927	1,000,000,000
Retained earnings	388,397,723	158,356,177
Profit/loss for the period/year	621,492,785	280,939,473
TOTAL EQUITY	**5,060,788,435**	**4,439,295,650**
TOTAL LIABILITIES AND EQUITY	**5,611,034,341**	**4,899,467,914**

STATEMENT OF PROFIT OR LOSS

For the year ended 31st December 2023

KPW

	2023	2022
Gross premiums written	1,684,479,898	1,425,517,451
Premiums ceded	(9,719,914)	(10,815,022)
Change in provision for unearned premiums	123,585,978	(201,642,993)
Change in reinsurers' share of provision for unearned premiums	575,978	369,695
Net premiums earned	**1,798,921,940**	**1,213,429,131**
Gross claims paid	(675,911,176)	(801,360,043)
Reimbursement of claims for risks ceded to reinsurers	-	18,254,863
Change in provision for outstanding claims	(61,660,000)	180,672,500
Change in other underwriting provision	(5,102,000)	1,634,898
Change in reinsurers' share of loss provision	-	(18,300,000)
Net claims incurred	**(742,673,176)**	**(619,097,782)**
Acquisition costs net of related commission income from reinsurance ceded	(38,290,224)	(42,400,825)
Net underwriting result	**1,017,958,540**	**551,930,524**
Other income	30,000,000	29,209,000
General and administrative expenses	(160,111,704)	(179,797,419)
Profit/loss before payment to state	**887,846,836**	**401,342,105**
Payment to state	(266,354,051)	(120,402,632)
PROFIT/LOSS FOR THE PERIOD/YEAR	**621,492,785**	**280,939,473**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2023

KPW

	Paid-up capital	Contingency reserve	Retained earnings	Total equity
Balance as 1st January 2022	**3,000,000,000**	**-**	**1,158,356,177**	**4,158,356,177**
Profit/loss for the period/year	-	-	280,939,473	280,939,473
Transfer to contingency reserve	-	1,000,000,000	(1,000,000,000)	-
Dividends relating to prior periods paid during the year	-	-	-	-
Balance as of 31st December 2022	**3,000,000,000**	**1,000,000,000**	**439,295,650**	**4,439,295,650**
Balance as 1st January 2023	**3,000,000,000**	**1,000,000,000**	**439,295,650**	**4,439,295,650**
Profit/loss for the period/year	-	-	621,492,785	621,492,785
Transfer to contingency reserve	-	50,897,927	(50,897,927)	-
Dividends relating to prior periods paid during the year	-	-	-	-
Balance as of 31st December 2023	**3,000,000,000**	**1,050,897,927**	**1,009,890,508**	**5,060,788,435**

STATEMENT OF CASH FLOWS

For the year ended 31st December 2023

	2023	KPW 2022
Cash flows from operating activities		
Cash from operating activities	767,921,516	316,399,794
Net cash from operating activities	**767,921,516**	**316,399,794**
Cash flows from investing activities		
Purchase of assets	(1,760,000)	(1,280,000)
Net cash from investing activities	**(1,760,000)**	**(1,280,000)**
Cash flows from financing activities		
Net borrowings	-	(22,600,000)
Net cash from financing activities	**-**	**(22,600,000)**
Net change in cash and cash equivalents	**766,161,516**	**292,519,794**
Cash and cash equivalents at the beginning of the period/year	4,442,964,584	4,150,444,790
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	**5,209,126,100**	**4,442,964,584**

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Samhae Insurance Company comprised of the statement of financial position as at 31st December 2023 and the statements of profit or loss, changes in equity and cash flows for the year ended 31st December 2023.

Samhae Insurance Company's responsibility for the financial statements

Samhae Insurance Company is responsible for the preparation and fair presentation of the financial statements in accordance with Financial Law and Accounting Law of DPRK and in the manner required by International Financial Reporting Standards (IFRSs).

Auditor's responsibility

Our responsibility is to check these financial statements and notify Samhae Insurance Company of our official results.

We have audited the financial statements in accordance with Financial Law, Accounting Law and Auditing Law of DPRK and International Standards on Auditing (ISAs).

In order to verify the accuracy of the financial statements, we selected the crucial documentation according to our criteria and checked the figures shown therein together with assets management status.

Not only the accuracy of the financial statements but also the competency of the accounting principles was closely examined.

We believe that we have done our job and presented our opinion as professional auditors on a reasonable basis.

Audit opinion

We opine that the audited financial statements give a true and fair view of the financial condition of Samhae Insurance Company as at 31st December 2023, and of its financial performance and cash flows for the year then ended in line with International Financial Reporting Standards (IFRSs) and have been properly prepared in compliance with Financial Law and Accounting Law of DPRK.

Han Myong Il, Director, Pyongyang Office of Auditors of DPR Korea

O Un Hyang, Manager, Pyongyang Office of Auditors of DPR Korea

23rd April 2024
Pyongyang Office of Auditors of DPR Korea

COMPANY INFORMATION

Registered Office and Headquarters

Haebangsan-Dong, Central District,

Pyongyang, DPRK

Regional Branches

Phyongsong City, South Phyongan Province

Sinuiju City, North Phyongan Province

Haeju City, South Hwanghae Province

Sariwon City, North Hwanghae Province

Kanggye City, Jagang Province

Wonsan City, Kangwon Province

Hamhung City, South Hamgyong Province

Chongjin City, North Hamgyong Province

Hyesan City, Ryanggang Province

Nampho City

Tel: 850-2-18111 Ext. 3818539
Email: samhae@silibank.net.kp
Website: www.naenara.com.kp/sites/samhae

Samhae Insurance Company

Website: www.naenara.com.kp/sites/samhae